



INTERNATIONAL
URANIUM (USA)
CORPORATION

m/37/043

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December 10, 2002

Paul B. Baker, Reclamation Biologist
State of Utah Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801

RECEIVED

DEC 13 2002

DIV. OF OIL, GAS & MINING

Re: Electric Transformers at Mine Sites

Dear Mr. Baker:

The Division of Oil, Gas and Mining (the "Division") conducted Site Inspections at the Rim Mine (Permit M/037/006) on August 14, 2002, and at the Hecla Shaft (Permit M/037/043), Redd Block IV (Permit M/037/046), LaSal/Beaver/Snowball (Permit M/037/026), and the Pandora (Permit M/037/012) on May 1, 2002, and again on August 15, 2002. Representatives of the Operator accompanied the Division personnel and the BLM representative on the inspections on August 15.

One item noted during the Site Inspections was the topic of electrical transformers at the mine sites. The Division inspectors and the BLM representative requested that the Operator provide a list of the transformers at the mine sites, and the list is to include the PCB analyses that were performed on the transformers. This list is attached herewith.

In response to a specific incident at the Rim Mine, and to address other stability and security concerns, the Operator has undertaken a number of actions pertaining to electrical transformers at the mines sites. The following chronology describes site activities that have involved transformers at the mine sites:

1. April, 2002 – **Rim Mine.** The BLM Monticello office and San Juan County notified the Operator that a transformer pole (service to mine vent hole) had blown down at the Rim Mine and spilled the contents of three transformers. The Operator dispatched a representative to test the spilled oil for PCB contamination and to clean up the debris from the incident. The quick field tests for PCB's in the oil had negative results (PCB -free). The contaminated soil was aerated by chiseling, and the spill site was fenced. The three damaged transformers were removed to the White Mesa Mill. Samples of the oil and the contaminated soil were taken by the BLM and San Juan County representatives. Subsequent analyses of these samples showed PCB levels below detection limits.

2. September 2002 - **Rim Mine**. The Operator initiated a number of site cleanup and maintenance activities (will be reported separately) in September. During the April incident and the Site Inspection by Division personnel in August, a transformer platform was noted to be sagging, and the transformers appeared to be in possible danger of toppling. The Division requested that the Operator solve this problem. The three transformers were removed from the platform in September 2002 and moved to the White Mesa Mill for secure storage. The site of the April transformer oil spill was re-aerated.
3. October 2002 – **Pandora Mine**. During surveying work to update site maps, the Operator discovered that the main transformer bank at the Pandora Mine had been vandalized – three transformers were shot which lead to leakage of a portion of the oil contents of the transformers. Upon learning of this incident, the Operator directed equipment and personnel that were conducting maintenance activities at nearby mine sites to relocate to the Pandora site. All transformers were removed from the platform (there were six transformers at this site), and these transformers have been moved to the White Mesa Mill for secure storage. The oil-contaminated soil under the transformer platform was thoroughly aerated by chiseling. Additional aeration will be performed in the future to ensure success of this remediation technique.
4. October 2002 – **Pandora West Underground**. Three transformers, which provide underground power, were removed from the platform in the field, and the transformers were moved to the White Mesa Mill for secure storage.
5. October 2002 – **2200 Vent**. A total of four transformers were removed at a transformer platform which provided power to a vent fan. The transformers were moved to the White Mesa Mill for secure storage.
6. October 2002 – **LaSal Mine yard**. Three transformers, which provided power for a compressor station in the LaSal yard, had been removed from a platform by the previous Operator. These transformers were sitting on the ground and were unsecured, so they were moved to the White Mesa Mill for secure storage.
7. October 2002 - **Hecla Shaft**. One large transformer used to provide surface power at the mine site was moved to the White Mesa Mill for secure storage.

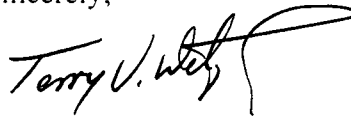
The transformers noted in the descriptions above are highlighted in yellow on the attached list.

Paul B. Baker, Reclamation Biologist
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The Operator has been surveying all mines sites in conjunction with the request for extension of "Suspended Operations" status at the mines and to provide updated site maps to support reclamation surety review. The Operator has also performed a number of site maintenance chores (some of which are noted herein); the site activities will be reported in detail when we submit new site maps in the next few weeks.

Please contact me at 303-389-4161 or by e-mail at 'twetz@intluranium.com' if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry V. Wetz", with a stylized flourish extending from the end.

Terry V. Wetz
Director of Project Development
International Uranium (USA) Corporation

Attachment

cc: Denice Swanke, Moab BLM
Ted McDougall, Monticello BLM
Ronald E. Berg
David C. Frydenlund
Ron F. Hochstein
Central Files Permits:M/037/043
M/037/026
M/037/012
M/037/046
M/037/006

INTERNATIONAL URANIUM (USA) CORPORATION
INVENTORY OF TRANSFORMERS - UTAH
December 2002

<u>Permit/Mine</u>	<u>Manufacturer</u>	<u>Manufacturer Serial No.</u>	<u>KVA</u>	<u>Sample Date</u>	<u>PCB (ppm)</u>	<u>Laboratory Sheet Avail.</u>	<u>Comments</u>
Permit M/037/006							
Water Plant	RTE	811027744	15	9/6/1989	N.D.	Yes	
Water Plant	RTE	811114596	15	9/6/1989	N.D.	Yes	
Water Plant	RTE	811114595	15	9/6/1989	N.D.	Yes	
#1 Vent Hole	T&R	13731	75	9/6/1989	N.D.	Yes	Removed Apr. 2002
#1 Vent Hole	T&R	13732	75	9/6/1989	N.D.	Yes	Removed Apr. 2002
#1 Vent Hole	T&R	13738	75	9/6/1989	N.D.	Yes	Removed Apr. 2002
Main Sub	RTE	751065021	167	9/6/1989	N.D.	Yes	Removed Sep. 2002
Main Sub	RTE	761012284	167	9/6/1989	N.D.	Yes	Removed Sep. 2002
Main Sub	RTE	761027985	167	9/6/1989	N.D.	Yes	Removed Sep. 2002
Hoist	Westinghouse	63SK116	100	9/6/1989	N.D.	Yes	
Hoist	Westinghouse	63SK118	100	9/6/1989	N.D.	Yes	
Hoist	Westinghouse	63SJ2017	100	9/6/1989	N.D.	Yes	

Pandora

Permit M/037/012

Main Sub	Westinghouse	78A472539	167	8/31/1989	N.D.	Yes	Removed Oct. 2002
Main Sub	Westinghouse	78A473301	167	8/31/1989	N.D.	Yes	Removed Oct. 2002
Main Sub	Westinghouse	79A204722	167	8/31/1989	N.D.	Yes	Removed Oct. 2002
Main Sub	Wagner	5L14189	167	8/31/1989	1.5	Yes	Removed Oct. 2002
Main Sub	Wagner	5L16415	167	8/31/1989	N.D.	Yes	Removed Oct. 2002
Main Sub	Wagner	5L16416	167	8/31/1989	N.D.	Yes	Removed Oct. 2002
West Underground	T&R	20203	167	9/5/1989	53.0	Yes	Removed Oct. 2002
West Underground	T&R	20202	167	9/5/1989	30.0	Yes	Removed Oct. 2002
West Underground	T&R	20204	167	9/5/1989	41.0	Yes	Removed Oct. 2002
#4 Vent Hole	RTE	772019732	50	8/31/1989	N.D.	Yes	
#4 Vent Hole	RTE	772019736	50	8/31/1989	N.D.	Yes	
#4 Vent Hole	RTE	772019733	50	8/31/1989	N.D.	Yes	
#5 Vent Hole	RTE	772029854	50	9/5/1989	N.D.	Yes	
#5 Vent Hole	RTE	772029852	50	9/5/1989	N.D.	Yes	
#5 Vent Hole	RTE	772029851	50	9/5/1989	N.D.	Yes	
East Haulage	Howard Ind.	422144575	167	8/31/1989	N.D.	Yes	
East Haulage	Howard Ind.	422164575	167	8/31/1989	N.D.	Yes	
East Haulage	Howard Ind.	422154575	167	8/31/1989	N.D.	Yes	

LaSal/Snowball/Beaver

Permit M/037/026

Snowball Main Sub	Moloney	1543541	100	8/31/1989	N.D.	Yes	
Snowball Main Sub	Moloney	1537621	100	8/31/1989	N.D.	Yes	
Snowball Main Sub	Moloney	1543538	100	8/31/1989	N.D.	Yes	
#1 Vent Hole	Moloney	1505303	50	8/31/1989	N.D.	Yes	
#1 Vent Hole	Moloney	1489730	50	8/31/1989	3.2	Yes	
#1 Vent Hole	Weaver	18216	50	8/31/1989	N.D.	Yes	
#2 Vent Hole	Westinghouse	61H12391	50	8/31/1989	14.0	Yes	
#2 Vent Hole	Westinghouse	61H12392	50	8/31/1989	12.0	Yes	
#2 Vent Hole	Westinghouse	61H12393	50	8/31/1989	20.0	Yes	
Undgrnd & Vent 1800	Weaver	19718	100	1/24/1985	4.6	Yes	
Undgrnd & Vent 1800	Weaver	19720	100	1/24/1985	N.D.	Yes	
Undgrnd & Vent 1800	Weaver	19719	100	1/24/1985	8.4	Yes	
Betz	Marcus	18179	100	8/22/1989	N.D.	Yes	
2300 Vent Hole	Westinghouse	17457	75	8/31/1989	4.4	Yes	
2300 Vent Hole	T&R	31147	100	8/31/1989	32.0	Yes	
2300 Vent Hole	Standard	18014	100	8/31/1989	N.D.	Yes	
2300 Vent Hole	Standard	18015	100	8/31/1989	N.D.	Yes	

<u>Permit/Mine</u>	<u>Manufacturer</u>	<u>Manufacturer Serial No.</u>	<u>KVA</u>	<u>Sample Date</u>	<u>PCB (ppm)</u>	<u>Laboratory Sheet Avail.</u>	<u>Comments</u>
Beaver #1	General Electric	18347	250	6/3/1989	N.D	Yes	
Beaver #2	General Electric	18348	250	6/3/1989	N.D	Yes	
Beaver #3	General Electric	18349	250	6/3/1989	N.D	Yes	
Beaver #4	Moloney	19911	100	6/3/1989	N.D	Yes	
Yard	Central	19392	100	6/3/1989	N.D	Yes	
Beaver #6	Central	19393	100	6/3/1989	N.D	Yes	
1060 Sub	Westinghouse	1589187	100	6/3/1989	15.0	Yes	
1060 Sub	Westinghouse	1589186	100	6/3/1989	N.D	Yes	
1060 Sub	Westinghouse	1589185	100	6/3/1989	15.0	Yes	
900 Vent	Gardner	80226	50	6/3/1989	N.D	Yes	
900 Vent	Gardner	80227	50	6/3/1989	N.D	Yes	
900 Vent	Gardner	80222	50	6/3/1989	N.D	Yes	
500 Vent	General Electric	D966326-59Y	50	6/3/1989	N.D	Yes	
500 Vent	General Electric	D968923-59Y	50	6/3/1989	N.D	Yes	
500 Vent	General Electric	D971955-59Y	50	6/3/1989	N.D	Yes	
2200 Vent	Allis Chalmers	1770618	100	6/3/1989	N.D	Yes	Removed Oct. 2002
2200 Vent	Westinghouse	64C630	250	6/3/1989	74.0	Yes	Removed Oct. 2002
2200 Vent	Westinghouse	77A27009	250	6/3/1989	N.D	Yes	Removed Oct. 2002
2200 Vent	Westinghouse	64C629	250	6/3/1989	14.0	Yes	Removed Oct. 2002
LaSal Incline	Moloney	148430	100	6/3/1989	N.D	Yes	
LaSal Incline	Moloney	1490603	100	6/3/1989	5.0	Yes	
LaSal Incline	Moloney	1484379	100	6/3/1989	N.D	Yes	
Yard	Moloney	1489733	50	6/3/1989	N.D	Yes	
Yard	Central	19391	100	6/3/1989	N.D	Yes	
LaSal XLE Comp	Esco	23843	167	9/1/1991	2.0	No	Removed Oct. 2002
LaSal XLE Comp	Esco	23844	167	9/1/1991	2.0	No	Removed Oct. 2002
LaSal XLE Comp	Esco	23845	167	9/1/1991	2.0	No	Removed Oct. 2002
Beaver Shaft	Howard	13051-1180	100	11/12/1990	?	No	San Miguel Power
Beaver Shaft	Howard	29783-2280	100	11/12/1990	?	No	San Miguel Power
Beaver Shaft	Howard	29781-2280	100	11/12/1990	?	No	San Miguel Power
Beaver #5	CTC	18126	100	8/15/1989	1.4	Yes	

Hecla Shaft

Permit M/037/043

Hecla	Porter	P690020	1000	6/3/1989	N.D.	Yes	
Hecla	Weaver	19003	1000	6/3/1989	81.0	Yes	Removed Oct. 2002
Main Sub - Oil Switch		H1-1		8/6/1992	14.0	Yes	
Main Sub - Oil Switch		H1-2		8/6/1992	21.0	Yes	
Main Sub - Oil Switch		H1-3		8/6/1992	21.0	Yes	
Main Sub - Oil Switch		H2-1		8/6/1992	19.0	Yes	
Main Sub - Oil Switch		H2-2		8/6/1992	20.0	Yes	
Main Sub - Oil Switch		H2-3		8/6/1992	10.0	Yes	
Main Sub - Oil Switch		H3-1		8/6/1992	13.0	Yes	
Main Sub - Oil Switch		H3-2		8/6/1992	19.0	Yes	
Main Sub - Oil Switch		H3-3		8/6/1992	20.0	Yes	

**International Uranium (USA) Corporation Letter of May 24, 2002
Supplemental Information.**

Review of Uranium Markets, Prices, and IUSA Operations

Recent Market History and Mining Operations

International Uranium (USA) Corporation ("IUSA") acquired the subject mines in Utah in 1997, as well as mining and exploration properties in Colorado and Arizona and the White Mesa Mill. At that time, uranium prices were around \$16.00 per pound, and expectations were that this price would remain firm for at least a few years. Immediately upon closure of the acquisition, IUSA implemented a vigorous program of mine re-opening and rehabilitation. Ore production commenced in November 1997 at a group of mines in western Colorado. Simultaneously, mine reactivation work was initiated at the Rim Mine in Utah, and production commenced in January 1998. Also during this time period, mine development plans were prepared to re-open the Pandora mine, which would have also involved accessing the LaSal, Snowball, and Beaver Shaft mines to provide access and ventilation.

The ore mined from the Rim Mine and ore purchased from local independent mine operators was transported to the White Mesa Mill for processing. The Mill subsequently processed all of the ore obtained from the mines operated by IUSA and by independent operators in 1999.

Contrary to expectations, the uranium price did not remain firm at the early 1997 levels. Prices declined through 1997 and 1998, ending 1998 at slightly over \$9 per pound. The decision by IUSA to suspend mining operations at the end of 1998 corresponded to this price fall. The Rim Mine suspended production in December 1998, and the mines on the Colorado side were all placed on standby by July 1999.

The mines of the Colorado Plateau District are also substantial producers of vanadium. Vanadium is a steel-hardening agent, and is therefore independent of the uranium market. At the time of attractive uranium prices in 1997, vanadium prices were also at a level that supported recovery of vanadium from ores with attractive vanadium grades (the Rim Mine, for example). Unfortunately, the vanadium price declined at the same time as the uranium price was falling. Therefore, the mines could not sustain operations in the face of falling prices for both commodities.

Uranium Market Outlook

Uranium prices fell as low as \$7 per pound in late 2000 and into early 2001. Starting in mid 2001, prices started rising. Presently the uranium spot price is at \$10 per pound and continuing to experience upward pressure. Although forecasting metals markets is

subjective, uranium market analysts foresee a continued price strengthening for uranium in the coming years. Price projections suggest that the price rise will be gradual, and perhaps somewhat less volatile than past price behavior.

Uranium prices have historically fluctuated over a rather wide range. Expressed in terms of 2000 dollars, prices prior to the uranium boom of the late 1970's were in the range of \$20 to \$30 per pound. These prices would support production today. The uranium price peaked at over \$80 per pound, in equivalent 2000 dollars, in the 1976 through 1978 period. Prices stayed above \$20 per pound through the late 1980's, and these prices supported nearly continuous mining operations throughout the Colorado Plateau District. As noted earlier, prices were in the mid to high teens as recently as 1997.

Often in periods of escalating uranium prices, supply shortages cause utility customers to enter into long term contracts, which can provide price protection for producers in the event that prices decline during the time frame that deliveries are being made. By entering into long term contracts during periods of price strengthening, uranium producers can assure themselves of prices for their production that will justify the expenditures needed to rehabilitate and reopen mines that have been held in standby status.

Future uranium prices cannot be predicted with certainty. What can be predicted with certainty is that new uranium production will be required, just to fill existing unfilled demand in coming years. About 18% of all the electricity generated in the world comes from nuclear power. In the United States, 20% of our total electricity generation comes from 103 currently operating nuclear power reactors. An additional 27 reactors are now under construction outside the US, and firm plans are on the books for more new reactors, particularly in Japan, Taiwan, Korea, and China. In the US, two new reactors have come on line since 1991, but even more importantly, improved operating efficiency at existing reactors has created extra demand equivalent to 20 new plants. US reactor capacity factors have risen from 70% in 1991 to 88% in 2000, resulting in an increase in uranium requirements of 38%. Recently, consortiums of US utilities have announced plans to begin siting work for "new generation" nuclear power stations, and a number of previously shutdown or incomplete plants have been put back on track for commercial operations.

These arguments show that new sources of uranium supply, including resumption of production from existing domestic districts, will be needed in the coming decades. Mines that have remaining reserves and which can be brought back into production may well be a source of uranium supplies for the future.

IUSA Plans

IUSA hopes to preserve its uranium and vanadium assets to capitalize on future opportunities in these commodities. During periods of low prices, such as now being experienced, IUSA has diversified its business activities by marshaling its financial

resources in areas that present near term income opportunities. Preservation of key properties and assets is necessary to maintain a position to capitalize on future opportunities.

The mines now in suspension all present opportunities for future production. Although some of the old facilities may need to be replaced or supplemented by new installations, the existing mines provide access and support necessary for future mine development.

The specific situation for each of the permitted mines is as follows:

- Rim-Columbus Mine, M/037/006: Operated January – December 1998. Presently on standby status.
- Pandora Mine, M/037/012: On standby status. Provides direct access to known reserves that were targeted for production in 1998.
- LaSal – Snowball Mine, M/037/026: On standby status. Main regional support installations located at LaSal site, and would be required for development of Pandora and other mines locally. Snowball site is inactive but provides ventilation and secondary escapeway for Pandora and Beaver Mines.
- Hecla Shaft, M/037/043: On standby status. Stand alone mine with large undeveloped remaining reserves.
- Redd Block IV, M/037/046: Only preliminary site preparation work has been conducted at this site. No facilities or installations remain on site. Location is for future shaft over major undeveloped reserves. Site is stable and has revegetated naturally.

Reference: "Nuclear Energy Industry – Past, Present and Future," James J. Graham, Mining Engineering, March 2002.